

CALHOUN COUNTY, MICHIGAN



SINGLE AUDIT

**For The Year Ended
December 31, 2008**

CALHOUN COUNTY, MICHIGAN SINGLE AUDIT

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CALHOUN COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Agriculture			
Direct Program -			
Food Donation:			
Entitlement Commodities	10.550		\$ 3,845
Bonus Commodities	10.550		2,756
Passed through Michigan Department of Education:			
School Breakfast Program	10.553		18,298
National School Lunch Program	10.555		31,353
Snacks	10.555		4,169
Passed through Michigan Department of Community Health -			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		<u>622,784</u>
Total U.S. Department of Agriculture			<u>683,205</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority -			
Community Development Block Grant	14.228	MSC-2007-0774-HOA	<u>113,922</u>
U.S. Department of Justice			
Direct Award - Bureau of Justice Assistance -			
Drug Court Discretionary Grant Program	16.585	2007-DC-BX-0010	118,136
Passed through Michigan Department of Human Services -			
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-07-13001	553
Passed through Michigan State Police -			
Southwest Enforcement Team	16.738	2007 DJ BX 0048	19,421
Southwest Enforcement Team	16.738	2008 DJ BX	8,129
Passed through City of Battle Creek -			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-F5313-MI-DJ	7,000
Passed through Michigan Supreme Court -			
Calhoun County Drug Court	16.738	2006-DJ-BX-0029	<u>8,898</u>
Total U.S. Department of Justice			<u>162,137</u>
U.S. Department of Transportation			
Passed through Michigan Office of Highway Safety Planning -			
State and Community Highway Safety:			
You Drink, You Drive, You Lose	20.600	2008-PT-08-08	6,666
You Drink, You Drive, You Lose	20.600	2009-PT-09-19	1,291
Click It or Ticket	20.600	2008-PT-08-08	4,492
Youth Alcohol Enforcement	20.600	2008-PT-08-08	<u>20,385</u>
Total U.S. Department of Transportation			<u>32,834</u>
U.S. Environmental Protection Agency			
Passed-through the Michigan Department of Environmental Quality -			
Operator Certification Expense Reimbursement Grants	66.471		<u>7,400</u>

CALHOUN COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended December 31, 2008

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Michigan Department of Community Health:			
Immunization Grants:			
Immunization - IAP	93.268		\$ 63,459
Childhood Immunization Grants - VFC Provider visit:	93.268		5,999
Vaccines	93.268		1,116,237
Center for Disease Control and Prevention Investigation Technical Assistance	93.283		232,730
Medical Assistance Program - Case Management Services	93.778		35,467
HIV Prevention Activities	93.940		32,947
Preventative Health and Health Services Block Grant	93.991		17,660
Maternal and Child Health Service Block Grant to States			
Local MCH	93.994		106,314
Case Management Services	93.994		17,033
Passed through Michigan Department of Human Services:			
Performance Incentive Payment	93.563		258,399
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-08-13001	1,713,824
Friend of the Court	93.563	CS/FOC-09-13001	582,383
Prosecuting Attorney	93.563	CS/PA-08-13002	203,112
Prosecuting Attorney	93.563	CS/PA-09-13002	86,148
Legal Consultation to Department of Human Services Staff	93.658	PROFC-08-13001	5,727
Total U.S. Department of Health and Human Services			<u>4,477,439</u>
U.S. Department of Homeland Security			
Passed through Michigan Department of State Police -			
Homeland Security Grant Program			
2006 Homeland Security Grant Program - 5th District Regional Planning Board	97.067		90,204
Emergency Management Performance Grant	97.042		22,686
Total U.S. Department of Homeland Security			<u>112,890</u>
Total Federal Financial Assistance			<u>\$ 5,589,827</u>

CALHOUN COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. FUNDS WITH OTHER YEAR ENDS

The expenditures of federal awards of the Health Department are presented in the accompanying schedule using its fiscal year end of September 30, 2008, and are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 622,784
Operator Certification Expense Reimbursement Grants	66.471	7,400
Immunization Grants	93.268	1,185,695
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	232,730
Medical Assistance Program	93.778	35,467
HIV Prevention Activities	93.940	32,947
Preventative Health and Health Services Block Grant	93.991	17,660
Maternal and Child Health Service Block Grant to States:		
Local MCH	93.994	106,314
Case Management Services	93.994	17,033

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

June 19, 2009

To the Board of Commissioners
of Calhoun County
Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun County, Michigan* as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Medical Care Facility Enterprise Fund, the Delinquent Tax Revolving Enterprise Fund, and the Land Bank Authority Component Unit, as described in our report on Calhoun County's financial statements. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2008-1 to be significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Calhoun County in a separate letter dated June 19, 2009.

Calhoun County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

June 19, 2009

To the Board of Commissioners
of Calhoun County
Marshall, Michigan

Compliance

We have audited the compliance of *Calhoun County, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Calhoun County, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Calhoun County, Michigan's management. Our responsibility is to express an opinion on Calhoun County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Calhoun County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Calhoun County, Michigan's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

Internal Control Over Compliance

The management of Calhoun County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Calhoun County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-2 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Calhoun County, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County, Michigan's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Calhoun County, Michigan, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units, or the Land Bank Authority Component Unit. Those financial statements were audited by other auditors whose reports were furnished to us. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun County, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the governing body, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

CALHOUN COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? X yes no

CALHOUN COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.268	Immunization Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2008-1 Preparation of Financial Statements in Accordance with GAAP (Repeat Comment) – Significant Deficiency in Internal Control over Financial Reporting

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

CALHOUN COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2008-1 Preparation of Financial Statements in Accordance with GAAP (Repeat Comment) (Continued)

Cause: This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Management's response: The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

CALHOUN COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended December 31, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2008-2 Suspended and Debarred Parties – Immaterial Noncompliance; Significant Deficiency in Internal Control over Compliance

Criteria: According to the OMB A-133 Compliance Supplement, when the County enters into a covered transaction, the County must verify that the entity is not suspended or debarred or otherwise excluded. This verification can be accomplished by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

Condition: When entering into covered transactions, the County has not verified suspension or debarment by the acceptable verification processes listed above.

Cause: Those responsible for administering the Special Supplemental Nutrition Program for Women, Infants and Children grant, were unaware of this requirement.

Effect: While we did not identify any covered transactions with suspended or debarred parties, the County's lack of a formal control process over this area increases the risk that the County will conduct business with a suspended or debarred vendor, which would be in violation of federal regulation.

Recommendation: We recommend that the County begin verifying that current vendors with contracts and projects over \$25,000 being funded from federal monies are not suspended or debarred or otherwise excluded by checking the federal Excluded Parties List System at www.epls.gov.

Management's response: In the future the County will implement internal controls to verify that all vendors with federal contracts greater than \$25,000 are checked against the Excluded Parties List System website.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

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